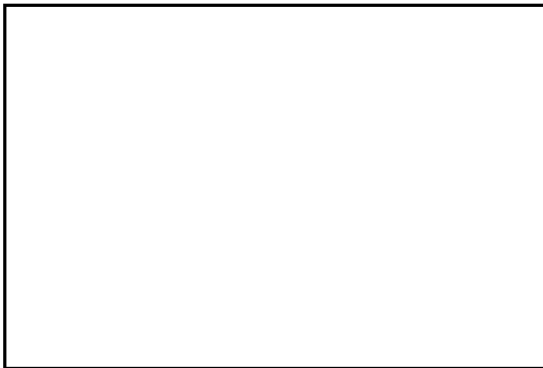


SECRET

Minutes of the Agency Contract Review Board

19 November 1969

PRESENT:



1. The meeting commenced at 1000 hours with [] presentation of the current Logistics Briefing, in this instance, one extracted from the November - December 1969 "Harvard Business Review." The Business Review article entitled 'Anguish in the Defense Industry' deals with the vast upheaval caused throughout industry as the direct result of a "new look" now being stressed by the Secretary of Defense. [] made the comment that this problem is very real indeed, as evidenced by the large numbers of middle management (\$20, 000 - \$25, 000) executives now seeking employment.

25X1

2. [] then made several announcements in the interest of keeping the ACRB fully cognizant of contracting matters. These were:

a. The Agency recently entered into a contract with [] [] This action was requested by ARPA and no Agency funds were involved. ARPA now has requested a copy of the contractual instrument. The DD/L has approved this request on a one-time basis.

25X1

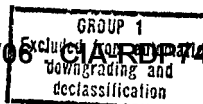
b. There has been recent criticism of [] performance under a NPIC contract which now must be amended to reflect a [] overrun. [] furnished each ACRB member and advisor with copies of

25X1

25X1

Declassification Review by NGA

SECRET



~~SECRET~~

several letters including the draft of one censuring the company. The Board concurred in the proposed letter provided it was agreed to by the Contracting Officer assigned to NPIC.

c. [] next notified the Board of a recent decision by the Director of Logistics to establish a Procurement Policy Committee charged with the ad hoc review and analysis of selected contracting matters. The first area explored concerned itself with overhead overruns. A report with recommendations has been submitted to the D/L for comment, following which, the paper will become an agenda item for ACRB approval.

d. At this time, [] reviewed the status of three ACRB projects.

(1) As reported in previous minutes, the DD/S&T representative was compiling data on an existing [] contract. This information has now been provided and is to become the focal point of a review of Agency policy. It was agreed that this review should not be made immediately, as additional information is forthcoming from []

25X1

25X1

(2) At the request of [] reviewed the present status of the industrial security situation. Actually, there are three different phases under review as follows:

25X1

(a) In conjunction with [] SS/OL is taking the action necessary to update and issue a handbook for use by technical and project officers. The necessary preliminary work has been completed, although there is no anticipated date for issuance

25X1

(b) [] has requested that Physical Security Division/Office of Security revise their basic standards for contractor facilities.

(c) The Blue Book issued by SS/OL covering contract security is being updated. Comments now have been received from all the contracting teams. [] SS/OL, is the Project Officer for this effort.

25X1

Following [] remarks, [] made the comment that in his experience, contractor security requirements were often more strict than those of U. S. Embassies. To this [] responded

25X1

25X1

~~SECRET~~

SECRET

that the limiting factor normally was the presence of the hard core intelligence collection concepts provided a contractor involved in state-of-the-art R & D. In summary, [] made the comment that some procedure should be developed to insure that any contractor expenditure for secure facilities must be approved by the cognizant Contracting Officer. This comment was concurred in by all attendees.

25X1

(3) With respect to Agency patents, [] noted that procedures for internal control are now being promulgated in a Procurement Note. He stated, however, that a new dimension has now been injected as the Army recently notified the Agency that they would no longer be able to support us in patent matters. Action has been initiated by PD/OL to determine if the Navy can assist the Agency with future patent transactions. If the Navy cannot provide this assistance, [] intends to reopen the matter through a cleared contact in the immediate office of the Under Secretary of the Army (I & L). At this point, [] requested additional information concerning the Agency Patent Board, headed by [] of TSD. [] responded that this Board was established to assist Agency employees who have developed a patentable idea and is in no way involved in patents arising from an Agency commercial contract.

25X1

25X1

25X1

25X1

3. The final agenda item involved Board review and discussion of the following contracts:

a. [] This contract is for the third consecutive year of a three year continuing project. Although originally funded for \$ [] the actual cost will approximate [] as some saving has been realized through use of a lower G & A rate than planned. In addition, the contractor did not utilize all funds available under the current contract; and as a result, this renewal will become effective on 1 December 1969 instead of the planned termination date of 30 September 1969. [] notified the group that this contractor has been having some financial difficulty. As a result of this information, [] requested that [] report the results of ARC's indirect charges, as this is the area in which internal difficulties are apt to appear first. [] agreed to make such a report at the next meeting of the ACRB. Following further discussion, the Board concurred in a recommendation to the D/L that the contract be negotiated as proposed.

25X1

25X1

25X1

SECRET

SECRET

b. [] The Board reviewed this contract on a post-negotiation basis and took no exception. As pointed out by [] the fact that the contract was negotiated on a FPIF basis tends to preclude overruns.

25X1

c. [] This contract involves the development of microcircuitry and last year was funded in conjunction with ARPA. ARPA is no longer interested in the specific applications involved, and ORD is funding the total amount of about [] This is an interesting proposal as the contractor is agreeable to a 50/50 cost-sharing ratio with no fee involved. The Board concurred in a recommendation being made for D/L approval with the following provisions:

25X1

(1) The 50/50 provision should be written into the contract.

(2) A 305% overrate factor for one department must be explored and accepted by the Contracting Officer.

(3) An audit must be completed.

(4) Contractor travel provisions must be clarified.

d. [] This was a post-negotiation review earlier requested by the Board. The previous docket, [] approved by the D/L on 5 September 1969, suggested a FP contract redeterminable downward. The contract as actually negotiated is CPAF with a price ceiling of [] There was some general discussion with respect to the relative value of the CPAF format. The Board agreed that this type of contract is probably used too often and recommended that a review be made of Agency use of CPAF contracts. Following this discussion, the Board recommended the contract for D/L approval as written.

25X1

e. [] ARPA funds totaling [] have been made available for this proposal for pencil transmitters. The contractor proposes a CPFF operation. There was some discussion on this case with respect to the operating detail presented in the docket. [] pointed out that the information on this docket had come primarily from the Form 2420 itself and that this document was given wide distribution. The Board agreed collectively and suggested that some common procedure be established to

25X1

25X1

SECRET

~~SECRET~~

Approved For Release 2006/02/06 : CIA-RDP74B00535R000100200017-4

require close review of 2420's by the Contracting Officer concerned to insure that no sensitive data is used unnecessarily. [] suggested that this contract might well be written as a FP transaction. After general discussion, it was agreed that the CPFF format was proper in this instance; and accordingly, the Board recommended the case for D/L approval.

25X1

[]

25X1

Chairman
Agency Contract Review Board

Page 5.

Approved For Release 2006/02/06 : CIA-RDP74B00535R000100200017-4

~~SECRET~~